

- Activity 2: Determine the effect of simplifications to the definition of a qualifying child for claiming the EITC.
- Activity 3: Describe current IRS challenges for administering the EITC and Other Dependent Credit and how changes to the structures of these two credits would likely affect the IRS's ability to administer these credits.
- Activity 4: Quantify the effects on changes in the structure of these credits on their improper payment rate as well as their economic impact on low-income families.

4. ASSESS THE TAXES PAID AND CREDITS RECEIVED BY INDIVIDUAL TAXPAYER IDENTIFICATION NUMBER FILERS AND THEIR DEPENDENTS AND THE BARRIERS THEY FACE IN NAVIGATING RELATED IRS ADMINISTRATIVE PROCEDURES

Non-citizens who live or work in the United States often find their tax treatment confusing. Taxpayers with Individual Taxpayer Identification Numbers (ITINs) may face multiple challenges in fulfilling their requirement to pay taxes or in receiving the tax benefits for which they may be eligible, such as the Other Dependent Credit. This assessment will briefly examine how the tax system treats non-citizens, discuss ITIN filers in the broader landscape of non-citizens, including undocumented workers, and detail the amount of taxes these individuals pay and the tax credits they receive.

This study will explore the taxes paid and credits received by ITIN filers over the past several years as well as the barriers individuals face when applying for and using ITINs and related difficulties as they navigate the IRS's ITIN process from year to year. It will estimate the amount of taxes not paid by individuals eligible for an ITIN who choose to avoid the complicated IRS ITIN guidance. The study will build upon previous TAS work on the IRS administration of the ITIN program, including two prior National Taxpayer Advocate Reports to Congress discussing how the IRS ITIN program was one of the most serious problems facing taxpayers.⁸ TAS may also consult other experts who have studied taxpayer usage of ITINs. The study will describe the economic characteristics of typical ITIN filers, the challenges they face in meeting their filing obligations, and the deterrent effects these challenges may have on others who are eligible for or who might otherwise obtain ITINs.

Objective 4 for FY 2025 – TAS will describe the IRS ITIN process, quantify the taxes paid and credits received by ITIN filers, and estimate the revenue lost due to undocumented workers who do not participate in the tax system by obtaining and using an ITIN.

- Activity 1: Describe the IRS administration of the ITIN program.
- Activity 2: Determine the size and composition of the ITIN program and quantify its impact on U.S. taxation.
- Activity 3: Estimate the tax revenue lost due to taxpayers who avoid obtaining an ITIN and reporting their income.

⁸ National Taxpayer Advocate 2016 Annual Report to Congress 239 (Most Serious Problem: *Individual Taxpayer Identification Numbers (ITINs): IRS Processes for ITIN Applications, Deactivations, and Renewals Unduly Burden and Harm Taxpayers*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2020/08/ARC16_Volume1_MSP_18_ITINS.pdf; National Taxpayer Advocate 2017 Annual Report to Congress 181 (Most Serious Problem: *Individual Taxpayer Identification Numbers (ITINs): The IRS's Failure to Understand and Effectively Communicate With the ITIN Population Imposes Unnecessary Burden and Hinders Compliance*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2020/08/ARC17_Volume1_MSP_16_ITINS.pdf.